

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0922-04
Bill No.: SB 238
Subject: Taxation and Revenue, Tourism
Type: Original
Date: January 29, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Division of Tourism Supplemental Revenue Fund	\$0	\$0	\$0
General Revenue	\$0	(\$2,322,430)	(\$4,067,850)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$2,322,430)	(\$4,067,850)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Tourism (DED)** state that this proposal will allow for additional funding to their agency to better promote Missouri's tourism industry to the traveling public. The DED assumes this proposal contains four major changes to the formula used to determine additional funding to the Division of Tourism;

- for FY 2003 and beyond, the funding formula that determines the growth in the funding of the Tourism Supplemental Revenue Fund will use 2% as an inflation factor,
- the \$3,000,000 maximum increase in any one year will be indexed to the growth in sales of tourist-oriented goods and services,
- the 17 SIC codes that define tourist-oriented goods and services will be changed such that the current inactive SIC code 8420 (Botanical and Zoological Gardens) will be replaced with the SIC code 7510 (Automotive Rentals), and
- the growth in the sales of tourist-oriented goods and services is anticipated at 3.935%. This is the average growth of sales in those 17 SIC codes over the last four years.

The Division of Tourism assumes this will result in an increase in funding from the General Revenue fund to the Tourism Supplemental Revenue fund of \$2,322,430 in FY 2003 and \$4,067,850 in FY 2004. The DED also assumes these extra amounts transferred to their division will be spent on tourism advertising, and therefore will result in a total decrease in state funds in FY 2003 and FY 2004 by those amounts. DED also assumes the increased tourism advertising and promotion from these funds will result in an unknown additional tourism related tax revenue for both the state and the local governments.

Officials from the **Department of Revenue** and the **Office of Administration** assume that the proposal would have no administrative impact to their respective agencies.

Officials from the **Office of the State Treasurer** state that they defer to the response from the Department of Economic Development - Division of Tourism.

Oversight assumes the Division of Tourism will spend all of the additional funds that are transferred to the Tourism Supplement Revenue Fund on advertising for the state, and therefore show a zero net effect to that fund, but an overall cost to the state by the amounts transferred out of the General Revenue fund. Oversight also assumes the increased tax revenue for both the state and local governments may be beyond the scope of this fiscal note, and have therefore, not included the possible additional tax revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE

<u>Transfer Out</u> - to Tourism Supplemental Revenue fund	\$0	(\$2,322,430)	(\$4,067,850)
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**DIVISION OF TOURISM
 SUPPLEMENTAL REVENUE FUND**

<u>Transfer In</u> - from General Revenue	\$0	\$2,322,430	\$4,067,850
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<u>Costs</u> - additional advertising and promotion for Missouri tourism	\$0	(\$2,322,430)	(\$4,067,850)
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ESTIMATED NET EFFECT ON DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

This proposal will provide the Division of Tourism additional funds to promote tourist destinations, attractions and events, resulting in more business and having a positive impact on tourism businesses, including small businesses, in the state of Missouri.

DESCRIPTION

This proposal would revise the Tourism Supplemental Revenue Fund. Three changes are made to the fund: 1) The inflation component is reduced to two percent; 2) The cap is changed from \$3 million to an increasing cap of the previous year's maximum plus any percentage of positive growth in retail sale of tourism-oriented goods and services in the fiscal year three years prior to the fiscal year in which the transfer is made; and 3) The SIC code for "Botanical & Zoological Gardens" has been replaced with the SIC code for "Automobile Rentals Without Drivers."

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Division of Tourism
Department of Revenue
Office of the State Treasurer
Office of Administration



Jeanne Jarrett, CPA
Director
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